



WEEKLY ECONOMIC DIGEST

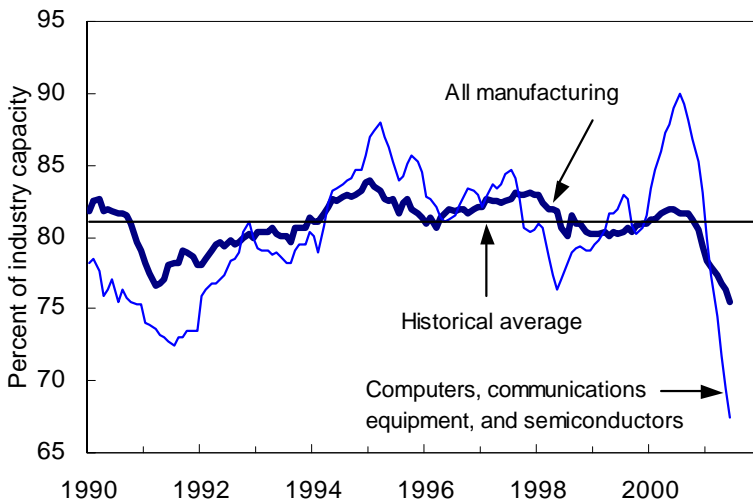
JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF
SENATOR JACK REED (RI), VICE CHAIRMAN



July 24, 2001

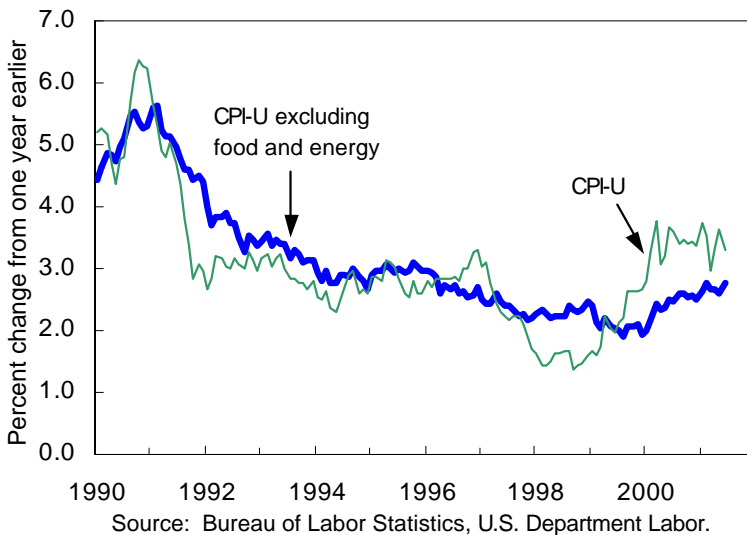
Factories Are Still in a Funk

Factory Operating Rates



- **Factory output sank in June.** Manufacturing output fell for the ninth month in a row, dropping 0.8 percent below May's level. Output of business equipment tumbled 1.4 percent while production of consumer goods slid 0.2 percent. Those declines depressed factory operating rates to their lowest levels since 1983.
- **Trade data reflect weakness.** The deficit in trade of goods and services narrowed to \$28.3 billion in May. Although depressed imports continued to reflect weakness in the U.S. economy, exports rose \$0.8 billion from April's level, defying analysts' projections of weakening world demand—at least for now.

Consumer Prices



- **Housing holds on.** Housing starts rose to 1.658 million units in June, 6.3 percent above the levels posted a year ago. Starts are a leading indicator of housing investment, and the uptick in June indicates that builders expect that relatively low financing costs will continue to stimulate new home sales, in spite of the weakening of household income.
- **Consumer prices rose slightly.** The Consumer Price Index (CPI-U) rose 0.2 percent in June, but the core inflation rate (which excludes food and energy prices) rose slightly to 0.3 percent. Prices of housing and medical care (including prescription drugs) continue to be the fastest growing components of the core CPI-U.

| ECONOMY AT A GLANCE | Jun | May | Apr | Mar | 2001 Qtr 2 | 2001 Qtr 1 | 2000 Qtr 4 | 2000 Qtr 3 | 2000 | 1999 |
|--|---|-------|-------|-------|---------------|---------------|---------------|---------------|-------|-------|
| Economic Activity | | | | | | | | | | |
| Real GDP (% growth) | | | | | | 1.2* | 1.0 | 2.2 | 5.0 | 4.2 |
| Industrial Production (% growth) | -8.1 | -5.8 | -5.8 | -3.5 | -5.6 | -6.8 | -0.9 | 3.5 | 5.6 | 4.2 |
| Capacity Utilization(Level, %) | 77.0 | 77.6 | 78.1 | 78.7 | 77.6 | 79.2 | 81.3 | 82.4 | 82.1 | 81.2 |
| Civilian Unemployment Rate (Level, %) | 4.5 | 4.4 | 4.5 | 4.3 | 4.5 | 4.2 | 4.0 | 4.0 | 4.0 | 4.2 |
| Housing Starts (Thousands) | 1658 | 1610 | 1626 | 1592 | 1631 | 1627 | 1539 | 1505 | 1575 | 1647 |
| Real Disposable Personal Income (% growth) | | 0.9 | .1 | 5.4 | | 2.2* | 0.7 | 2.6 | 2.8 | 3.2 |
| Retail Sales (% growth) | 2.8 | 4.6 | 18.1 | -4.7 | 6.1 | 5.2 | 0.5 | 4.6 | 7.6 | 8.2 |
| Personal Saving Rate (Level, %) | | -1.1 | -1.0 | -0.8 | | -1.0* | -0.7 | -0.2 | -0.1 | 2.2 |
| Inflation & Productivity | | | | | | | | | | |
| CPI-U Inflation, All Items (% growth) | 2.4 | 4.9* | 3.7 | 1.2 | 3.7 | 4.1 | 2.9 | 3.5 | 3.4 | 2.2 |
| Core CPI-U Inflation (% growth) | 3.7 | 1.2* | 2.4 | 2.4 | 2.6 | 3.2 | 2.4 | 2.5 | 2.4 | 2.1 |
| Compensation per Hour (% growth) | | | | | | 4.6* | 3.5 | 3.8 | 4.3 | 3.2 |
| Output per Hour (% growth) | | | | | | -1.2 | 2.0 | 3.0 | 4.3 | 2.6 |
| Financial Markets | | | | | | | | | | |
| T-Bill Rate, 3-month (Level, %) | 3.5 | 3.6 | 3.9 | 4.4 | 3.7 | 4.8 | 6.0 | 6.0 | 5.8 | 4.6 |
| T-Note Rate, 10-years (Level, %) | 5.3 | 5.4 | 5.1 | 4.9 | 5.3 | 5.1 | 5.6 | 5.9 | 6.0 | 5.7 |
| Federal Funds Rate (Level, %) | 4.0 | 4.2 | 4.8 | 5.3 | 4.3 | 5.6 | 6.5 | 6.5 | 6.2 | 5.0 |
| Dow Jones Industrial Avg (Index Level) | 10767 | 11105 | 10235 | 10081 | 10669 | 10513 | 10586 | 10882 | 10735 | 10465 |
| Sources: | Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics. | | | | | | | | | |
| Notes: | Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted annual rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate. | | | | | | | | | |
| | * Subject to revision this week. | | | | | | | | | |

Major Economic News Due This Week:

- Durable Goods Shipments, Inventories, & Orders, June (advance) [Release: Thursday, July 26, 2001]
- Employment Cost Index, 2001 Q2 [Release: Thursday, July 26, 2001]
- Gross Domestic Product, 2001 Q2 (advance) [Release: Friday, July 27, 2001]

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